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DE RUEHKT #2733/01 3410748
ZNR UUUUU ZZH
O 070748Z DEC 05
FM AMEMBASSY KATHMANDU
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9434
INFO RUEHLM/AMEMBASSY COLOMBO PRIORITY 3998
RUEHKA/AMEMBASSY DHAKA PRIORITY 9036
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1962
RUEHBUL/AMEMBASSY KABUL PRIORITY 0134
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 8896

UNCLAS KATHMANDU 002733

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SUBJECT: USTDA IDENTIFIES PROFITABLE TRANSPORTATION PROJECTS

SUMMARY

1. (SBU) In separate meetings during her recent mission to Nepal, U.S. Trade and Development Agency (USTDA) contractor Judy Chang found that U.S. companies may have a competitive advantage in transportation projects in Nepal dealing with cargo rail development, the upgrading of airports, and intermodal logistics expertise. His Majesty's Government of Nepal (HMGN) officials flagged other possible transportation projects, for which funding had not yet been identified. Chang discussed plans for a South Asian regional transportation conference that will bring together private U.S. transportation companies and public/private sector individuals from the seven SAARC countries and Afghanistan, tentatively scheduled to be held in Mumbai in March 2006.
END SUMMARY.

PROFITABLE PROJECTS IDENTIFIED

2. (SBU) In meetings with HMGN and private sector transportation officials, Chang identified three project areas where she thought U.S. companies could have a competitive advantage.

Cargo Rail

3. (SBU) Chang noted that the U.S. had a strong cargo rail industry, which could potentially be interested in Nepal's future rail projects. Tanuk Lal Yadav, Joint Secretary for the Ministry of Works and Physical Planning, noted that in the last fiscal budget HMGN announced plans for a north-south (Birgunj-Kodari) rail link for which HMGN was seeking private funding. Bhagwati Kumar Kafle, Joint Secretary of the National Planning Commission, commented that under current laws 100 percent foreign ownership was allowed in the transportation sector. Yadav described an additional plan for an east-west rail link that would follow Nepal's existing southern east-west highway. He said HMGN's budget suggested the east-west rail line could be funded through a Build, Operate, Transfer (BOT) scheme. (Note: In a BOT scheme, private industry would build and operate the rail line, and eventually, after recuperating costs and profiting from the venture, transfer operations over to HMGN. End Note.) Other than the BOT suggestion, HMGN had specified no funding or time frame for either project.

Airport Upgrades

14. (SBU) Chang assessed that U.S. companies could have a competitive advantage in some future projects to upgrade Nepal's airports. Rajesh Raj Dali, Director General, Civil Aviation Authority of Nepal (CAAN), discussed CAAN's long term desires to upgrade Nepal's major regional airports so that they would be capable of handling short regional international flights of up to four hours operated with Boeing 737 or 757 type aircraft. Costs for the projects varied from USD 5 million to USD 50 million; he said HMGN envisioned building a new airport for the regional center of Pokhara, which would cost approximately USD 50 million; a runway extension project in Bhairahawa would cost approximately USD 5 million. There was also a USD 17 million project for unspecified upgrades at Tribhuvan International Airport in Kathmandu. Dali noted that CAAN would need funding to undertake the projects. (Note: Dali stressed that he preferred money from donors go directly to CAAN as HMGN required an initial take of 10.25 percent of the donated funds. He expressed some interest in the BOT scheme but said current HMGN policy did not make BOT an attractive option. End Note.)

Intermodal Logistics

15. (SBU) Chang noted that U.S. companies have expertise in intermodal logistics, which could benefit Nepal in dealing with domestic and bi-lateral issues such as security and liability of shipments. (Note: Intermodal logistics is the shipment of cargo involving more than one mode of transportation during a single, seamless journey. Nepal, as a landlocked state, normally imports and exports its products using trucks and trains to and from Indian ports. End Note.) Mr. Surya Bahadur Manandhar, Executive Director of the Nepal Intermodal Transport Development Board, explained that there were not smooth and coordinated transitions between the modes of transportation needed for Nepal's imports and exports. He added that HMGN was considering approval of a Multiple Transport Act, which would address liability issues. Rajan Sharma, General Secretary of the Nepal Freight Forwarders Association commented that issues of security and liability of shipments hampered efforts to use a shipping route through Nepal's eastern border into India, over a narrow strip of India, and down to the Bangladeshi port of Chittagong. Numerous officials lamented that shipment of cargo was a difficult issue for their poor, landlocked country, and stressed that they would welcome any assistance in improving their current systems.

16. (SBU) Chang commented that the improvement of management at the ports in Calcutta and Haldia, India, could be one profitable project for U.S. companies that would also benefit Nepal. Vishnu Das Dangol, General Manager of the Trade, Transit & Warehouse Company in Nepal, added that funding for additional forklifts and stackers was needed for the two ports to make more efficient use of their existing facilities.

HMGN's OTHER FUTURE TRANSPORTATION WISHES

17. (SBU) HMGN officials noted other future transportation projects that are planned, but have no funding. These include plans for eight north-south roads, aimed at helping Nepal become a major Chino-Indo trade transit link; a new, more direct highway connecting Birgunj and Kathmandu to replace the present circuitous route; a container freight station warehouse in Kathmandu for the loading and unloading of goods shipped by truck (a facility that currently does not exist); and a new international airport located somewhere in the lowland Terai region to make it possible for larger cargo flights to take off with full loads without having to worry about the weight and altitude issues that exist at the current international airport. Chang commented that U.S. companies would not be competitive in building roads or the freight station warehouse, but could be for a new international airport.

USTDA REGIONAL TRANSPORTATION CONFERENCE

18. (SBU) After attending numerous meetings with public and private transportation officials, Chang was to recommend potential participants for the regional transportation conference in a report to USTDA. The conference is tentatively scheduled for March 2006 in Mumbai. The goal of the conference is to facilitate business for U.S. transportation companies by bringing them together with government and key public sector individuals from the seven SAARC countries and Afghanistan. Chang agreed with the suggestion of members of the Nepal-U.S. Chamber of Commerce that a delegation of public and private sector individuals, headed by the Foreign Minister, would make an effective group of representatives for Nepal.

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